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STANDARD PAVING & MATERIALS, LIMITED

ANNUAL REPORT March 31 1970



Standard Paving & Materials, Limited

1224 Lawrence Avenue West, Toronto 390, Ontario.

DIRECTORS

- R. S. AIKEN
*Vice-President of Canada Cement
Lafarge Ltd.*
- S. C. COOPER
*President of C. A. Pitts Engineering
Construction Limited*
- J. B. HANLY
*Vice-President of Canada Cement
Lafarge Ltd.*
- I. L. JENNINGS
Vice-President of the Company
- D. G. LAWSON
President of Moss Lawson & Co. Limited
- J. H. REID
Chairman of the Board of the Company
- G. SCHOTCH
President of the Company

OFFICERS

- J. H. REID
Chairman of the Board
- G. SCHOTCH
President
- I. L. JENNINGS
Vice-President, Aggregates
- T. D. JONES
Vice-President and Secretary-Treasurer
- M. E. McRAE
Vice-President, Concrete Products
- R. F. TITUS
Vice-President
- E. J. WINTERS
Comptroller
- E. J. HADDEN
Assistant Secretary-Treasurer

MANAGEMENT OF SUBSIDIARIES AND DIVISIONS

- M. C. EDWARDS
*Vice-President, S. P. & M. Materials Limited
General Manager, McCord & Company, York Block and Building Supply and
Curran & Briggs Ready-Mix Company*
- I. L. JENNINGS
*Vice-President, S. P. & M. Materials Limited
General Manager, Consolidated Sand & Gravel Company and Guelph Sand and Gravel Company
Vice-President, National Sand and Material Company, Limited*
- M. E. McRAE
*Vice-President, S. P. & M. Materials Limited
General Manager, Concrete Pipe Company*
- R. F. TITUS
*Vice-President, S. P. & M. Materials Limited
President, Standard Paving Maritime Limited*
- T. A. WILCOX
*Vice-President, S. P. & M. Materials Limited
General Manager, Red-D-Mix Concrete Company, Standard Paving Company and
North Bay Concrete & Supply Company
Vice-President, E. V. Breckon Limited*

Registrar and Transfer Agents

CANADA PERMANENT TRUST COMPANY

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON

Annual Meeting

Thursday, June 18, 1970 at 11.00 a.m. (eastern
daylight time), the Alberta Room, Royal York Hotel,
100 Front Street West, Toronto

Financial Highlights

	March 31 1970	March 31 1969
OPERATIONS (thousands of dollars)		
Sales and contract revenue	39,652	42,865
Income before taxes	1,720	2,472
Net income	871	1,202
Profit on disposal of properties	1,013	28
Capital expenditures	3,006	4,524
Provision for depreciation & depletion	2,026	1,685

FINANCIAL POSITION (thousands of dollars)

Working capital	4,632	4,823
Fixed assets — net	14,907	13,928
Long-term debt	2,992	2,805
Deferred income taxes	2,598	2,479
Shareholders' equity	14,876	13,658

PER SHARE

Net income	\$ 0.85	\$ 1.17
Dividends	0.65	0.20
Shareholders' equity	14.52	13.33

STATISTICAL

Number of employees — March	971	1,091
— September	1,627	1,826
Number of shareholders — March	1,515	1,586

COVER PICTURE

Red-D-Mix Concrete Company's mixer trucks supplying concrete for a diversion channel of the Welland River under the new Welland Canal route. This project is part of the realignment of 8½ miles of the canal across the Niagara peninsula. C. A. Pitts Construction Eastern Limited and Atlas Construction Co. Limited are the general contractors for the St. Lawrence Seaway Authority.

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Directors' Report to the Shareholders

Your company's operations have been less profitable in the year under review than in the previous year. In the spring and early summer of 1969, both sales and earnings were depressed by strikes and lock-outs in the construction industry in Toronto and other centres in our market area. There was some improvement in late summer and fall, but with the new year the increasing pressure of government policies to contain inflation began to be apparent in lower sales and earnings.

Financial review

Total sales and contract revenues for the year at \$39,651,875 were \$3,213,375 less than the previous year's total of \$42,865,250. This reflects decreased sales of concrete and a lower volume of paving and road construction work undertaken.

Net income for the year was \$870,704 or 85¢ per share, compared with \$1,202,240 or \$1.17 per share in the previous year. Apart from the effect of lower sales volumes, decreased earnings reflected inflationary pressures on labour and materials costs and higher depreciation and debt charges resulting from capital expenditures late in the previous year and in the current year.

Quarterly net income (thousands of dollars)

Quarter ended —	year to March 31	
	1970	1969
June 30	61	310
September 30	250	218
December 31	373	444
March 31	187	230
Total for the year	871	1,202

Your company's financial position was maintained and at the end of the year working capital was \$4,631,885, a decrease of \$191,443 from the previous year. Cash and short term investments declined by \$1,114,248 from the previous year but trade receivables were moderately higher and inventories increased by \$353,217 to \$1,989,905.

Net capital expenditures of \$3,006,172 for the year compare with \$4,523,965 for the previous year. They include \$1,022,903 spent on projects which had not been brought into use at the year-end, principally the Stouffville aggregates plant. Capital

cost allowances available for income tax purposes on these and other assets exceeded depreciation provided for and, as a result, \$405,000 of income taxes were deferred to future periods.

The year's provision for depreciation and depletion, amounting to \$2,026,500, is \$341,701 higher than the previous year. This results mainly from the new concrete pipe plant at Dixie Road which came into production during the year, and the increasing unit rates of depletion of the gravel reserves now being utilized.

Early in the year a further amount of \$500,000 was drawn on the bank term loan to bring it up to its maximum amount of \$2,500,000. Repayments of \$300,000 had been made by the end of the year out of proceeds of the sale of the Caledonia Road property formerly occupied by the old concrete pipe plant.

Dividends

Quarterly dividends of 12½¢ per share were paid on July 2 and November 4, 1969 and on February 3 and May 5, 1970. An extra dividend of 15¢ per share was paid on July 2, 1969 in respect of the year ended March 31, 1969.

On August 4, 1970 a quarterly dividend of 12½¢ per share will be paid.

Dividends are now being paid one month later than formerly (starting with the November 4, 1969 payment). This change coincided with the introduction of quarterly earnings reports and permits dividend cheques and earnings reports to be mailed together.

Aggregates

In the early part of the year aggregates sales were affected by the series of strikes and lock-outs in the construction industry in Toronto, but once these labour conflicts had been settled, demand improved considerably until the closing months of the year.

Prospecting for new sources of gravel is a continuous process and during the year your company opened up a new area for the production of aggregates near Mono Mills, north west of Toronto. A large tract of gravel bearing land has been purchased in this neighbourhood. From these deposits we expect soon to be able to augment our service to customers in the north and west of Toronto.

As the first stage of a programme of relocating aggregate plants so as to better suit the future needs of our market, we have just completed a new high capacity plant at Stouffville, about 30 miles north east of Toronto. This new facility is just getting into production. Preliminary studies for other plant relocations which may be required are under way.

Ready-mix concrete and concrete block

Concrete sales in the Toronto area were particularly hard hit by the unsettled state of construction, and in the first four months of the year were 35% less than in the previous year. Once normal construction activity had been restored, the accumulated demand ensured a better volume of sales for the remainder of the year. However the shortage of money supply and the high cost of mortgage funds was beginning to bear down on apartment building by the winter.

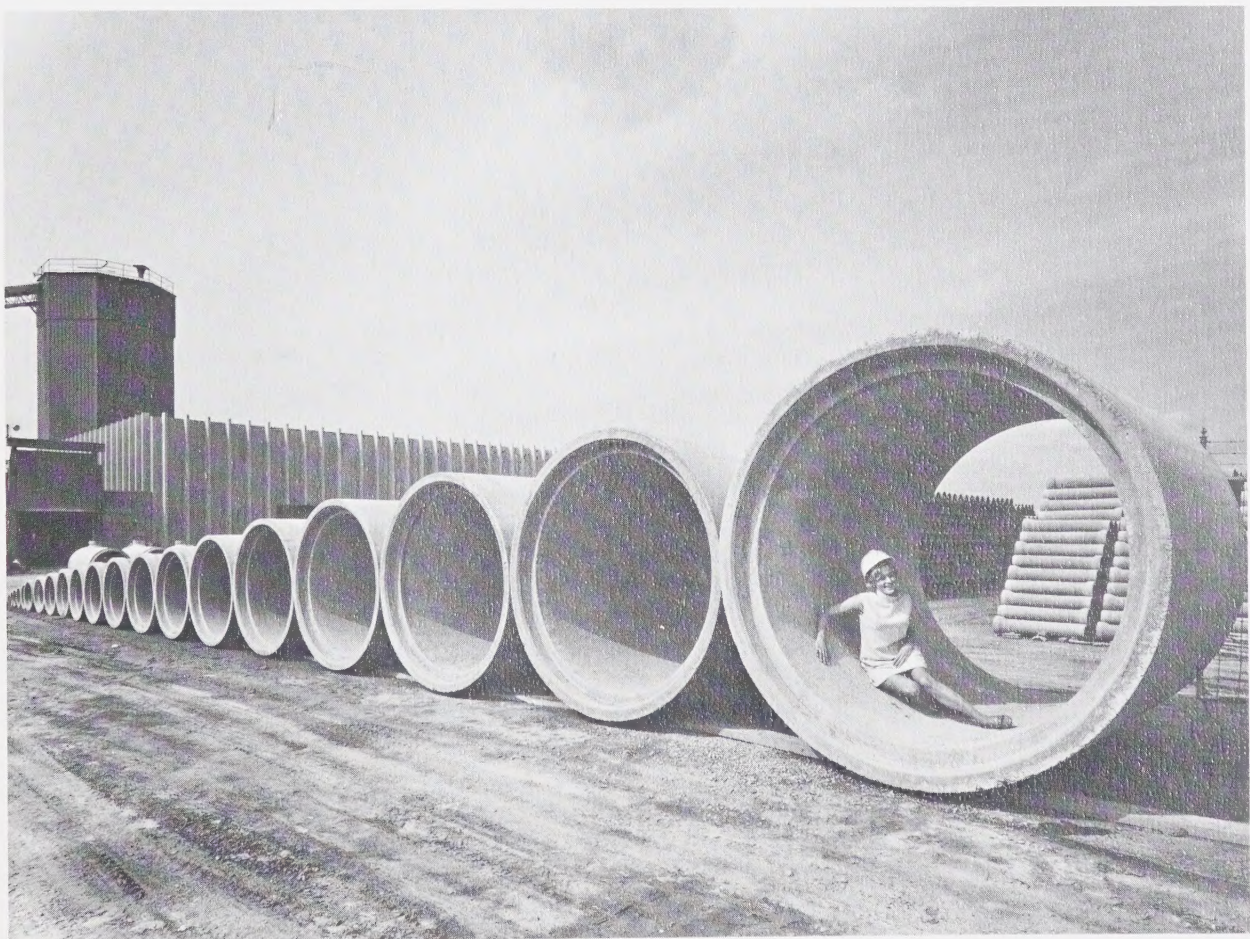
Our fleet of about 250 ready-mix trucks is being maintained in first-class condition, and has been augmented in the past year by the most modern and efficient units obtainable. These trucks operate at present out of 25 locations; several other locations are in course of development or under study for additional concrete batching facilities.

Concrete block sales after a promising start went into a continuous decline throughout the year, reflecting the declining level of house-building in the Toronto area.

Concrete products

Sales of concrete pipe resumed their steady rate of increase following the previous year's pause, and a record tonnage of pipe was marketed. Winter sales were at a better level, but have not yet

Concrete pipe in sizes from 6 inches to 7 feet in diameter displayed at Concrete Pipe Company's plant at Dixie Road, Toronto. Larger sizes of pipe up to 10 feet in diameter are also produced at this plant.



returned to the volume attained when the federal government's winter works incentive programme gave support to off-season projects.

The new concrete pipe plant in the Toronto area started production early in the year; manufacture of some pipe sizes continued at the old plant during the transitional and running-in period until August. Production costs were higher than expected in these initial stages but had reached planned levels towards the close of the year.

Construction

In both Ontario and Nova Scotia your company's construction activities are primarily in the field of road building and street and highway paving. A further significant improvement in performance occurred in some areas during the past year. We have closed out, on a planned basis, our construction operations in Toronto and Ottawa, and have consolidated the Ontario operations in the Hamilton and North Bay areas. A relatively small amount of uncompleted work was carried over to the current year.

Labour relations

In the year under review our own operations were not directly involved in the negotiation of labour agreements. Nonetheless, the year was one of intense labour conflict in the construction industry in most major centres in Ontario, which dislocated construction activity through the summer months and was concluded only at the cost of record, and highly inflationary, wage settlements. The events of last summer demonstrated once again the gross inequality of bargaining strength between employers and the construction labour unions, with all its implications of rapidly escalating costs of construction. They point also to the urgent need for amending labour legislation to suit the special requirements of construction.

Outlook for 1970/71

For 1969, actual outlays for new construction in Ontario fell short of earlier government estimates by a considerable margin. After making allowance for the effects of inflation, the physical volume of work done in Ontario during the year was very little more than in 1968. The shortfall was mainly

in non-residential construction due to prolonged strikes in the construction industry in the summer of 1969.

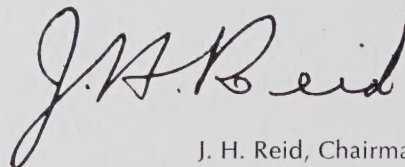
The federal government's estimates of construction expenditures projected for 1970 indicate a nation-wide increase of 7%, and an Ontario increase of 9% of which about half would represent a real increase in physical volume. However, so far as Ontario is concerned, it is already beginning to appear that the estimated increase may be optimistic, as both housing starts and contract awards, the principal indicators of construction activity, are declining. House and apartment construction is especially dependent on the availability of investment capital, which is now feeling the effects of anti-inflationary government policies.

In these circumstances we do not at present foresee any significant improvement in earnings during the coming year. However, higher levels of construction are needed to keep up with the growing demand for housing and other structures in our market area; as soon as conditions are right for the inevitable new surge in construction, we are well placed to participate fully in it.

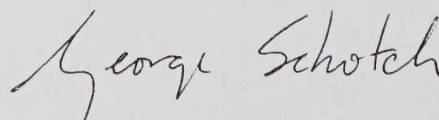
Appreciation

Once again we want to thank all the company's employees for their efforts in this past year. We look forward to their continued support and co-operation in the coming year.

On behalf of the board of directors



J. H. Reid, Chairman



George Schotch, President.



One of McCord & Company's mixer trucks supplying concrete for the new 227-room tower being added to the Inn-on-the-Park hotel, Toronto.

STANDARD PAVING

(Incorporated under

and subsidiary

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended March 31, 1970

REVENUE	1970	1969
Sales and contract revenue	<u>\$39,651,875</u>	<u>\$42,865,250</u>
Income from investments	<u>187,364</u>	<u>113,121</u>
	<u>39,839,239</u>	<u>42,978,371</u>
 EXPENSE		
Cost of sales and operating expenses, exclusive of the following items	<u>35,782,048</u>	<u>38,673,625</u>
Depreciation and depletion	<u>2,026,500</u>	<u>1,684,799</u>
Interest on long-term debt	<u>251,567</u>	<u>36,243</u>
Other interest expense	<u>59,420</u>	<u>111,464</u>
	<u>38,119,535</u>	<u>40,506,131</u>
INCOME BEFORE INCOME TAXES	<u>1,719,704</u>	<u>2,472,240</u>
Income taxes (note 5)		
Current	<u>444,000</u>	<u>316,000</u>
Deferred	<u>405,000</u>	<u>954,000</u>
	<u>849,000</u>	<u>1,270,000</u>
NET INCOME FOR THE YEAR (per share: 1970 — \$.85, 1969 — \$1.17)	<u>870,704</u>	<u>1,202,240</u>
Profit on disposal of properties, note 6 (after provision in 1970 for losses of \$188,485, net of income taxes, on assets no longer in use)	<u>1,012,632</u>	<u>28,592</u>
NET INCOME AND EXTRAORDINARY ITEM	<u>1,883,336</u>	<u>1,230,832</u>
Retained earnings at beginning of year	<u>10,325,511</u>	<u>9,299,538</u>
	<u>12,208,847</u>	<u>10,530,370</u>
Dividends (per share: 1970 — \$.65, 1969 — \$.20)	<u>665,792</u>	<u>204,859</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$11,543,055</u>	<u>\$10,325,511</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 1970

CURRENT ASSETS	1970	1969
Cash	\$ 538,500	\$ 658,762
Short term investments	1,791,014	2,785,000
Accounts receivable	4,659,672	4,510,129
Tender and other deposits	201,160	264,959
Mortgages receivable, current portion	201,746	29,000
Inventories (note 1)	1,989,905	1,636,688
Prepaid expenses	480,122	473,434
	<u>9,862,119</u>	<u>10,357,972</u>
CURRENT LIABILITIES		
Bank liability on tender accounts	190,300	234,965
Accounts payable and accrued	4,181,373	4,639,515
Dividends payable	128,037	102,430
Income taxes	192,198	221,734
Long-term debt, current portion	538,326	336,000
	<u>5,230,234</u>	<u>5,534,644</u>
WORKING CAPITAL	4,631,885	4,823,328
Mortgages receivable, excluding current portion	913,984	178,647
Investment in associated company, at cost (note 2)	12,500	12,500
Fixed assets, at cost, less accumulated depreciation and depletion (note 3)	14,907,374	13,927,702
	<u>20,465,743</u>	<u>18,942,177</u>
Deduct		
Long-term debt (note 4)	2,992,322	2,805,300
Deferred income taxes (note 5)	2,597,500	2,478,500
	<u>5,589,822</u>	<u>5,283,800</u>
SHAREHOLDERS' EQUITY	<u>\$14,875,921</u>	<u>\$13,658,377</u>
Derived from:		
Capital stock		
Authorized — 1,140,240 common shares of no par value		
Issued — 1,024,296 shares	\$ 3,332,866	\$ 3,332,866
Retained earnings	11,543,055	10,325,511
Total Shareholders' Equity (per share: 1970 — \$14.52, 1969 — \$13.33)	<u>\$14,875,921</u>	<u>\$13,658,377</u>

Approved by the Board:

J. H. REID, Director.

GEORGE SCHOTCH, Director.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1970

1. INVENTORIES

	1970	1969
Raw materials and supplies	\$ 406,327	\$ 349,742
Saleable materials and products	1,583,578	1,286,946
	<u>\$ 1,989,905</u>	<u>\$ 1,636,688</u>

Inventories are valued at the lower of cost and net realizable value.

2. INVESTMENT IN ASSOCIATED COMPANY

The company owns a minority interest in National Slag Limited. Dividends received are included in income from investments.

3. FIXED ASSETS

	1970	1969
Land and gravel deposits	\$ 5,117,514	\$ 4,493,687
Buildings, plant and equipment	28,766,691	27,163,516
Construction work-in-progress	1,022,903	2,077,969
	<u>34,907,108</u>	<u>33,735,172</u>
Less accumulated depreciation and depletion	19,999,734	19,807,470
	<u>\$14,907,374</u>	<u>\$13,927,702</u>

Provision is made for depreciation over the estimated useful lives of depreciable assets on a straight-line basis.

4. LONG-TERM DEBT

	1970	1969
Bank term loan, secured, due 1970/1975 (interest at 1½% above prime rate)	\$ 2,200,000	\$ 2,000,000
Mortgages payable, due 1970/1979	995,648	726,300
Other secured debt, due 1970/1973	335,000	415,000
	<u>3,530,648</u>	<u>3,141,300</u>
Less current portion	538,326	336,000
	<u>\$ 2,992,322</u>	<u>\$ 2,805,300</u>

Under the conditions of the bank term loan, approximately \$10,300,000 of retained earnings at March 31, 1970 is not available for payment of dividends.

5. DEFERRED INCOME TAXES

Capital cost allowances which may be claimed for income tax purposes differ from depreciation and depletion recorded in the accounts, and certain other timing differences also exist in the determination of income for tax purposes.

The company follows the practice of claiming maximum allowances in calculating income for tax purposes. When those allowances exceed amounts recorded in the accounts, income taxes so deferred are charged against income. When the allowances utilized are less than amounts recorded in the accounts, an appropriate part of the taxes previously deferred is transferred back to income. The accumulated net amount of taxes so deferred is shown as such in the consolidated statement of financial position.

6. PROFIT ON DISPOSAL OF PROPERTIES

The Canadian Institute of Chartered Accountants has recommended that extraordinary items be included in the determination of net income for the year.

In the opinion of management the extraordinary item of profit on disposal of properties (which amounts to \$1,012,632, or the equivalent of 99¢ per share) results from transactions of a capital nature which are quite distinct from the normal operations of the company, and could not properly be included in net income without needlessly distorting earnings comparisons with other years. The amount of such profit has therefore been excluded from net income for the year.

7. COMMITMENTS

The minimum annual amount payable by the company under leases and royalty agreements for properties and equipment is approximately \$700,000.

8. STATUTORY INFORMATION

Total direct remuneration of directors and senior officers amounted to \$184,025 (\$176,700 in 1969).

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended March 31, 1970

SOURCE OF FUNDS	1970	1969
Operations		
Net income for the year	\$ 870,704	\$1,202,240
Depreciation and depletion	2,026,500	1,684,799
Deferred income taxes	405,000	954,000
Funds from operations	3,302,204	3,841,039
Profit on disposal of properties, net	1,012,632	28,592
Mortgages receivable, reduction in non-current portion	183,393	29,000
Increase in long-term debt	773,301	1,876,000
Special refundable tax		123,435
	<u>5,271,530</u>	<u>5,898,066</u>
APPLICATION OF FUNDS		
Additions to fixed assets, net	3,006,172	4,523,965
Dividends	665,792	204,859
Increase in mortgages receivable	918,730	
Long-term debt, reduction in non-current portion	586,279	134,500
Reduction in deferred income taxes, extraordinary item	286,000	
	<u>5,462,973</u>	<u>4,863,324</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (191,443)</u>	<u>\$1,034,742</u>

AUDITORS' REPORT

To the Shareholders of
Standard Paving & Materials, Limited

We have examined the consolidated statement of financial position of Standard Paving & Materials, Limited and subsidiary companies as at March 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and, except for the treatment of profit on disposal of properties referred to in note 6, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

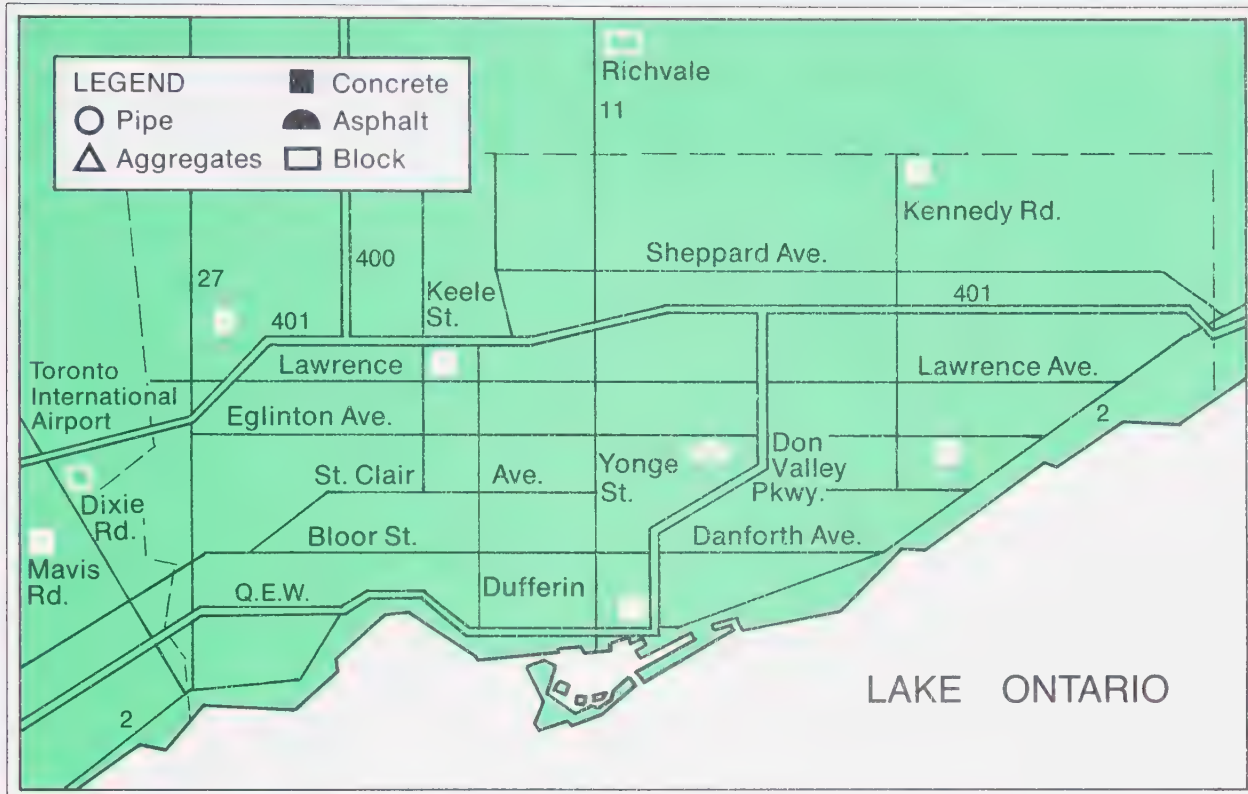
Toronto, Canada,
May 6, 1970.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

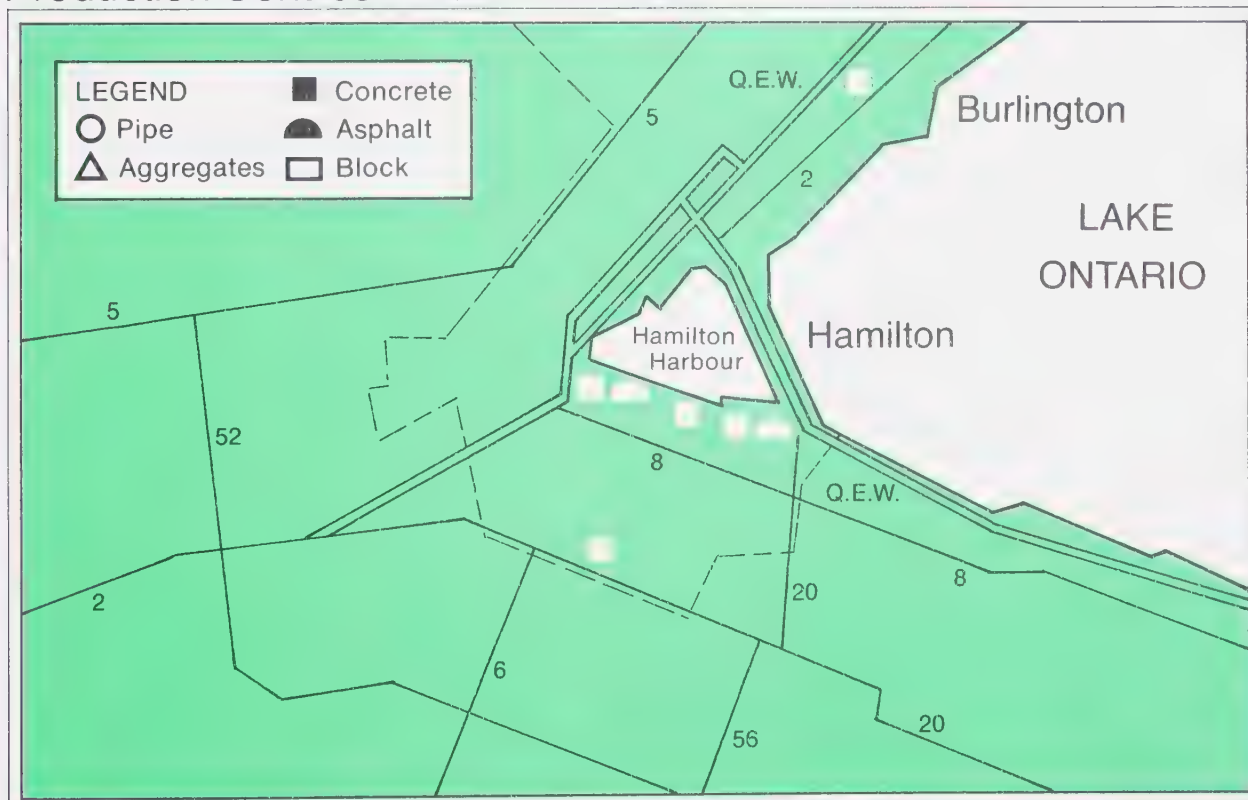
Production Centres – Southern Ontario



Production Centres – Toronto Area



Production Centres – Hamilton Area



SAND and GRAVEL—an indispensable construction material

Sand, gravel and stone are the low-cost, bulk materials of building construction. They are used in every conceivable type of construction. Without the benefit of these resources urban development is impossible. The average house with its share of necessary services requires 100 tons of sand and gravel, and each mile of four lane highway uses at least 50,000 tons. Total consumption of aggregates in Ontario is now something like 120 million tons a year, about 16 tons for every man, woman and child in the province, and is increasing rapidly.

Sand and gravel used in construction today must be free of impurities, and must meet exacting specifications of size and quality. This requires major investments in land and equipment. The use of modern production methods enables the raw gravel to be crushed, washed and graded to fine tolerances at an average pit price in the Toronto area of a fraction of a cent a pound. It must then be delivered to the point of use. From present sources around Toronto, delivery costs in bulk approach the price of the material itself. If it were necessary

to haul the product from more remote, unsettled areas (as some have urged) the delivered cost of sand and gravel would be at least doubled — if indeed it could be obtained there at all in sufficient quantities. In fact, the largest reserves of sand and gravel in the province are located in southern Ontario close to already urbanized areas.

The cycle of development in gravel areas

There is much current controversy over the operation of gravel pits close to such centres of urban development. Their opponents urge that gravel pits be banished from populated areas. They feel this way partly because some noise, dust and inconvenience are inevitable, but mainly from a deep concern that the resulting hole in the ground is the final chapter, a permanent blot on the landscape.

In point of fact the story does not end this way.

Much is being done to improve the appearance of gravel areas during prolonged operations and to

continued on Page 14



Raw gravel being taken from the pit face at the East Paris plant of Consolidated Sand & Gravel, Company. This loader digs out 10 tons of material in each load.



A conveyor carrying raw gravel from the pit face to the processing plant, where it is crushed, sized, washed and rebled to meet exacting specifications of size and quality.



Gravel loaded for rail shipment to customers of Consolidated Sand & Gravel, Company. Material not shipped directly from the processing plant is diverted to stockpiles for later dispatch.



Sand being loaded from stockpiles into waiting trucks and trailers for delivery by road to customers of Consolidated Sand & Gravel, Company.

lessen the nuisance features of surface mining. Proper planning of the mining operation results in a rehabilitated land area with a variety of continuing uses. Many pits in Ontario have been developed into golf courses, parks, recreation ponds and lakes, housing developments, industrial sites and shopping centres. These and other worthwhile end uses for most of today's pits are being planned by responsible operators in the industry.

Your company and property management

Your company operates the largest aggregate producing organization in Ontario, if not in Canada. It owns many thousands of acres of land as present and future sources of sand and gravel, and a major deposit of limestone for future development as a crushed-stone operation. The search for suitable new deposits from which these vital construction materials may be efficiently delivered to our customers, as old sources are depleted, is a constant responsibility of major proportions which absorbs much time and effort.

The latest addition to your company's aggregates production facilities, the new Stouffville plant, has just been completed at a cost of \$1,250,000. Designed to produce a carefully controlled range of products for use in concrete and asphalt mixes, road base, masons and plaster mortar, etc., the plant is capable of operating at up to 800 tons per hour. The pit material is crushed, sized, washed and reblended to specification and stock-piled to provide adequate supplies to meet our customers' requirements throughout the year. All wash water is clarified in settling ponds and re-used, so that no water pollution problems result from the operation.

Your company has for some years planned its operations so that the working sites shall neither be current nuisances, nor future eyesores. Much has been done at various of our properties to restore lands neglected in the past, and all current operations are planned from the start with rehabilitation in mind for subsequent attractive and profitable re-use of the property. Mr. Lyman Chapman, a noted geologist and a widely-recognized soils specialist, for many years with the Ontario Research Foundation and now on our staff, plans and supervises the development and care of our properties. Plans for the current year include the planting of 30,000 trees to screen our operations and the spreading of several hundred thousand tons of overburden in advantageous locations on worked-out land.

While we probably cannot expect that our industrial activity will generate enthusiasm among those with whom we must work and live, we are a public-spirited organization, we do contribute to local economies through taxes and jobs in the course of producing vital materials, and we are earnestly playing our part in seeking better acceptance of the increasingly important role of our industry in the development of this country.

A valuable natural resource endangered

Gravel pits are at present subject to municipal jurisdiction and zoning regulations, which are sometimes excessively restrictive due to local pressures. Such a regulatory bylaw was passed recently in a sparsely-populated township which contains some of the highest quality sand and gravel in southern Ontario and supplies a large proportion of the aggregates used in metropolitan Toronto. If the bylaw is upheld, it could bring the operating pits in the township to an early halt, with disastrous consequences to the construction industry and the public.

So long as municipal control continues, production of this indispensable construction material must be carried on in a state of uncertainty, subject to the pressures of a small minority who urge that gravel pits be banished to remote, unsettled areas, little understanding the severe effects this would have on construction costs in the populated areas, and overlooking the serious social consequences to the large work force now employed in the processing and transportation of these materials from the existing sources.

Provincial regulation of the operating conditions of pits and quarries has been proposed. This would impose on all producers consistent standards of operation, maintenance and rehabilitation. It would ensure a responsible attitude towards the public, with a proper regard for all the interests concerned, and hopefully would preserve as much as possible of these valuable mineral resources from being unnecessarily zoned out of existence.

Your company would welcome such regulation of the industry and we are fully prepared to operate under any reasonable controls designed for the protection of citizens affected by our operations. We suggest this control must include preserving for the benefit of the community all mineral deposits from which essential materials can most efficiently be obtained.

Subsidiaries* and Divisions

S.P. & M. Materials Limited*

Consolidated Sand & Gravel, Company

Guelph Sand and Gravel, Company

production at plants in Paris, Guelph, Malton, Mono Mills, Stouffville and Pickering of water-washed sand and gravel for use as aggregates in concrete products, precast and prestressed concrete, and ready-mix concrete; sand and gravel for road construction and railway ballast.

plants in Guelph, Paris, Pickering and Toronto producing a complete range of asphaltic concrete for the pavement of roads and streets, parking lots, driveways, etc.

Curran & Briggs Ready-Mix Company

McCord & Company

Red-D-Mix Concrete Company

mixed concrete for use in the construction of bridges, roadways, sidewalks, and buildings, delivered from plants located at Ajax, Brantford, Burlington, Delhi, Guelph, Hamilton, London, Milton, Niagara Falls, North Bay, Oshawa, St. Catharines, St. Thomas, Strathroy, Welland and Metropolitan Toronto.

sale of gypsum products, sewer and drainage pipe, sand and stone, plaster, portland cement and other builders' supplies from warehouses located in Metropolitan Toronto.

production at Hamilton of a complete range of asphaltic concrete for pavement of roads, streets, parking lots, driveways, etc.

York Block and Building Supply

production at a plant in Toronto of concrete and lightweight block steam-cured by the autoclave (high pressure) or low pressure processes. Sales of masonry materials, sewer and drainage pipe and Angelstone.

Concrete Pipe Company

production at plants in Toronto and London of reinforced and non-reinforced concrete sewer and water pipe; perforated concrete drainage pipe; precast concrete specialty items; horizontal and vertical elliptical pipe; inner circle oval linings.

Standard Paving Company

road building, street and highway paving, and sidewalk and curb installation, operating out of district offices in North Bay and Hamilton.

North Bay Concrete & Supply Company

production at North Bay of sand and gravel aggregates, and asphaltic concrete for roadways, sidewalks, parking lots, etc.

National Sand and Material Company, Limited *

the marine recovery of sand by the S.S. "Charles Dick" from underwater deposits in Lake Erie and Lake Ontario for use as aggregates by the construction industry.

Standard Paving Maritime Limited *

road building, street and highway paving, sidewalk and curb installation, operating out of district offices in Halifax and Kentville, Nova Scotia; production at Halifax of a complete range of asphaltic concrete.

E. V. Breckon Limited *

haulage of liquid asphalt, cement, sand, gravel and stone for asphalt and ready-mix concrete producers in south-central Ontario.

** all wholly-owned by Standard Paving & Materials, Limited*

Financial Summary in thousands of dollars (except per share amounts)

		years ended March 31			
	1970	1969	1968	1967	1966
Operations					
Sales and contract revenue	39,652	42,865	36,796	40,925	
Income before income taxes	1,720	2,472	275	587	2,326
Provision for income taxes	849	1,270	25	445	1,177
Net income	871	1,202	250	142	1,149
Financial Position					
Working Capital	4,632	4,823	3,789	2,004	2,795
Fixed assets — net	14,907	13,928	11,088	12,189	11,573
Other assets	927	191	344	222	152
	20,466	18,942	15,221	14,415	14,520
Long-term debt	2,992	2,805	1,064	1,081	1,075
Deferred income taxes	2,598	2,479	1,525	1,608	1,220
	5,590	5,284	2,589	2,689	2,295
Shareholders' equity	14,876	13,658	12,632	11,726	12,225
Source and Application of Funds					
Net income	871	1,202	250	142	1,149
Depreciation and depletion	2,026	1,685	1,763	1,729	1,820
Deferred income taxes	405	954	(41)	387	546
Operations	3,302	3,841	1,972	2,258	3,515
Profit on disposal of properties	1,013	28	861	—	236
Long-term debt increase (decrease)	187	1,742	(17)	5	914
	4,502	5,611	2,816	2,263	4,665
Capital expenditures — net	3,006	4,524	675	2,345	4,745
Acquisition of new subsidiaries	—	—	—	—	1,397
Dividends	666	205	205	640	666
Mortgages receivable increase (decrease)	735	(29)	121	(65)	111
Other	286	(123)	30	134	—
	4,693	4,577	1,031	3,054	6,919
Increase (decrease) in working capital	(191)	1,034	1,785	(791)	(2,254)
Per Share					
Net income	.85	1.17	.24	.14	1.12
Dividends	.65	.20	.20	.62½	.65
Shareholders' equity	14.52	13.33	12.33	11.45	11.94

The fully-automatic control console of Red-D-Mix Concrete Company's concrete batching plant at Welland, Ontario. The operator selects the desired concrete mix by inserting a pre-punched card into the control panel, which then controls the weighing of all ingredients to fine tolerances. An 8 cubic yard batch of concrete can be prepared in less than one minute.



Landscaped lawns, flowers and shrubs add an extra splash of colour to Concrete Pipe Company's administration building at the Dixie Road plant in Toronto.



STANDARD PAVING & MATERIALS, LIMITED

1224 Lawrence Avenue West
Toronto 390, Ontario

NOTICE OF THE ANNUAL MEETING OF THE SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Standard Paving & Materials, Limited will be held in the Alberta Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, at Eleven o'clock, in the forenoon, Eastern Daylight Time, on Thursday, the 18th day of June, 1970 for the following purposes:

- (i) To receive, consider and if deemed appropriate to approve the financial statements with the report of the Auditors thereon and the report of the Directors for the year ended March 31, 1970.
- (ii) To elect Directors for the ensuing year.
- (iii) To appoint Auditors and authorize the Directors to fix the Auditors' remuneration.
- (iv) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto this 20th day of May, 1970.

T. D. JONES,
Secretary.

If you do not expect to be present in person at the meeting it will be appreciated if you will complete and return the form of proxy accompanying this notice.

STANDARD PAVING & MATERIALS, LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Standard Paving & Materials, Limited (the Company) of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons designated in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so by striking out the names of the persons designated and by inserting such other person's name in the blank space provided in the form of proxy.** A person acting as proxy need not be a shareholder of the Company.

A shareholder who has given a proxy may revoke it by signing written notice of revocation and delivering it to the Secretary of the Company up to the day before the meeting or to the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the enclosed form of proxy will be voted, and where the shareholder giving the proxy specifies a choice with respect to any matter to be acted upon, the shares represented by the proxy will be voted in accordance with such specification.

The proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF, AND INTEREST IN MATERIAL TRANSACTIONS

The Company has outstanding 1,024,296 shares of no par value each carrying the right to one vote per share. Canada Cement Lafarge Ltd. owns 511,673 shares, being 49.95% of the outstanding shares of the Company. In the usual course of business the Company buys a substantial portion of its cement requirements from Canada Cement Lafarge Ltd. at prevailing market price.

The directors and senior officers of the Company do not know of any other person or company beneficially owning, directly or indirectly, more than 10% of the outstanding shares of the Company.

ELECTION OF DIRECTORS

The board consists of seven directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth herein, all of whom are now members of the board of directors and have been during the periods indicated. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their present principal

occupations or employment and any other principal occupations and employments within the five preceding years, the year in which they became directors of the Company, and the approximate number of shares of the Company beneficially owned directly or indirectly by each of them as of May 7, 1970. Mr. R. S. Aiken and Mr. J. B. Hanly are nominated at the request of Canada Cement Lafarge Ltd.

	Became Director	Shares*
R. S. Aiken is a Vice-President of Canada Cement Lafarge Ltd., manufacturers of cement.	1963	320
S. C. Cooper is President and General Manager of C. A. Pitts Engineering Construction Ltd., heavy engineering construction contractors.	1967	75,000
J. B. Hanly is a Vice-President of Canada Cement Lafarge Ltd., manufacturers of cement.	1963	1,200
I. L. Jennings is a Vice-President of the Company.	1966	810
D. G. Lawson is President of Moss Lawson & Co. Limited, Investment Dealers. Until December 1965 Mr. Lawson was Vice-President Moss Lawson & Co. Ltd.	1965	100
J. H. Reid is Chairman of the Board of the Company. Until July, 1965 Mr. Reid was President of the Company.	1957	100
George Schotch is President of the Company. Between November, 1964 and July, 1965 Mr. Schotch was first, Assistant to the President, then Executive Vice-President of the Company.	1965	500

(*The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.)

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate direct remuneration paid or payable by the Company and its subsidiaries in the year ended March 31, 1970 to the directors and senior officers of the Company \$184,025

Estimated aggregate cost to the Company and its subsidiaries in the year ended March 31, 1970 of all pension benefits proposed to be paid to the directors and senior officers of the Company under any normal pension plan in the event of retirement at normal retirement age \$ 5,600

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Thorne, Gunn, Helliwell and Christenson, Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders and to authorize the Board to fix their remuneration. Messrs. Thorne, Gunn, Helliwell and Christenson the predecessors of that firm have been auditors of the Company for more than five years.

By order of the Board of Directors,

T. D. JONES,
Secretary.

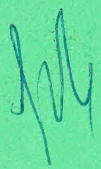
Toronto, Ontario,
May 20, 1970.

AR20

Dividend, November 3, 1970

12½¢ per share

The company is pleased to enclose your cheque in payment of the quarterly dividend of twelve and one-half cents per share, declared September 30, payable to shareholders of record October 20, 1970.



STANDARD PAVING & MATERIALS, LIMITED

Quarterly Report

for the six months ended

September 30, 1970

CONSOLIDATED STATEMENT OF INCOME

	Six months ended September 30	
	1970	1969
REVENUE		
Sales and contract revenue	\$23,815,974	\$23,878,037
Income from investments	66,782	22,366
	<u>23,882,756</u>	<u>23,900,403</u>
EXPENSE		
Cost of sales and operating expenses, exclusive of the following items	21,679,087	21,822,821
Depreciation and depletion	1,386,263	1,287,488
Interest on long-term debt	132,579	103,706
Other interest expense	55,793	43,471
	<u>23,253,722</u>	<u>23,257,486</u>
Income before taxes	629,034	642,917
Income taxes	312,000	332,000
Net income for the six months (per share 1970 — 31¢; 1969 — 30¢)	<u>\$ 317,034</u>	<u>\$ 310,917</u>

NOTE: The above statements are unaudited.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Six months ended September 30	
	1970	1969
SOURCE OF FUNDS		
Operations		
Net Income	\$ 317,034	\$ 310,917
Depreciation and depletion	1,386,263	1,287,488
Funds from operations	1,703,297	1,598,405
Profit on disposal of properties	—	1,068,337
Mortgages receivable, reduction in non-current portion	197,746	179,393
Increase in long-term debt	537,450	677,650
	<u>2,438,493</u>	<u>3,523,785</u>
APPLICATION OF FUNDS		
Additions to fixed assets, net	1,119,041	1,150,873
Dividends (per share 1970 — 25¢, 1969 — 40¢)	256,074	409,718
Increase in mortgages receivable	—	918,730
Long-term debt, reduction in non-current portion	368,677	381,500
Reduction in deferred income taxes on disposal of properties	—	235,000
	<u>1,743,792</u>	<u>3,095,821</u>
INCREASE IN WORKING CAPITAL	<u><u>\$ 694,701</u></u>	<u><u>\$ 427,964</u></u>

and subject to year-end adjustments.

REPORT ON OPERATIONS

Six months to September 30, 1970

To the Shareholders:

Sales for the six months at \$23,815,974 were \$62,063 less than sales of \$23,878,037 in the same period of 1969. Net income for the six months at \$317,034 (31¢ per share) is \$6,117 greater than net income of \$310,917 (30¢ per share) in the previous year.

Second quarter sales at \$13,072,456 were \$1,008,856 (7%) less than sales of \$14,081,312 in the second quarter last year. Net income for the second quarter at \$122,076 (12¢ per share) is \$127,601 less than net income of \$249,677 (24¢ per share) in the same quarter last year.

It has become more apparent in the last few months that the volume of construction activity in Ontario is, for the time being, static or declining, while the productive capacity of suppliers to the industry continues to grow. In these circumstances, pressure on the price structure increases, profit margins are eroded, and the struggle to maintain volume is intensified.

Your company has not been immune to these influences, as our results for the September quarter show, although they have been partially offset by an improved contribution from our operations in Nova Scotia. We are doubtful if any great improvement can be expected in your company's sales and earnings until next year. A modest upturn in housing starts is indicated by recent statistics, but any increases in business and public construction expenditures will probably have to await a more favourable climate for economic activity generally.

Recent legislation in Ontario has imposed licensing requirements for the operation of gravel pits in the general area of the Niagara escarpment. We are pleased to report that all of our operations in the affected area have been duly licensed.

Mr. R. S. Aiken recently resigned from his position as a director of your company, after many years of valued service. Mr. Thomas H. Stevenson has been appointed to the vacancy on the Board. Mr. Stevenson is Chairman of the Board of Permanent Concrete Ltd. of Brockville and is widely known in the Canadian construction industry and related fields.

On behalf of the Directors,

Toronto, Ontario,
October 28, 1970.

GEORGE SCHOTCH,
President.